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Pipeline

C O N F I D E N T I A L

MSGNC 144 (STXX) Z1A *11/02/82* *01:02*
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CONFIDENTIAL

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TOR: 110122Z FEB 82

RR RUEAIIB
ZNY CCCCC ZUC STATE ZZH
UTS4939
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R 0918092 FEB 82
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 9529
INFO RUFHCL/AMEMBASSY BONN 8339
RUEHBS/AMEMBASSY BRUSSELS 9348
RUEHLD/AMEMBASSY LONDON 1013
RUEHMO/AMEMBASSY MOSCOW 3904
RUEHRO/AMEMBASSY ROME 3817
RUEHROC/AMCONSUL MILAN 2699
RUFHNA/USMISSION USNATO 1345
BT
EZ1:
C O N F I D E N T I A L
LIMITED OFFICIAL USE PARIS 04720
EZ2:
E.O. 12065: N/A
TAGS: EYRD, EWT, FR, UR
SUBJECT: US SANCTIONS: AFP REPORTS FRENCH FIRMS SEEK TO
- FULFILL CONTRACTS DESPITE US MEASURES
REF: BONN 2879

State Dept. review completed

1.(U) ON FEBRUARY 8, AFP REPORTED THAT A NUMBER OF FRENCH FIRMS ARE PREPARING PRELIMINARY STUDIES REGARDING POSSIBLE REPLACEMENT OF EMBARGOED U.S. EQUIPMENT FOR USE ON THE SOVIET GAS PIPELINE. THE FIRMS HAVE INDICATED THAT A GO-AHEAD FROM THE GOF IS REQUIRED BEFORE ANY ACTION WHICH CIRCUMVENTS THE U.S. MEASURES IS TAKEN. NONETHELESS, AFP REPORTS, CERTAIN INDUSTRIALISTS DO NOT WANT TO LET THIS OPPORTUNITY GO BY. ONE SOLUTION ENVISAGED WOULD BE TO MANUFACTURE LESS POWERFUL TURBINES WITH THE EVENTUAL COOPERATION OF OTHER EUROPEAN MANUFACTURERS, NOTABLY ROLLS ROYCE AND FIAT.

2.(U) THE NEWS ITEM STATES THAT OFFICIALLY, ALL THE INDUSTRIALISTS ARE MAINTAINING PRUDENT SILENCE. "CREUSOT-LOIRE (ALONG WITH MANNESMANN, THE PROJECTS GENERAL CONTRACTOR) NOTES THAT IT IS IN CONSTANT CONTACT WITH THE USSR, TO WHICH IT HAS MADE KNOWN ITS DIFFICULTIES." ALSTHOM-ATLANTIQUE, WHICH ACCORDING TO AFP WOULD HAVE TO

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INSTALL A NEW PRODUCTION LINE TO MANUFACTURE ANY ROTORS BEYOND THE 40 REPLACEMENT ONES ALREADY CONTRACTED FOR, AFFIRMS THAT NOTHING WILL BE UNDERTAKEN WITHOUT A DECISION BY THE GOVERNMENT. ACCORDING TO THE REPORT, "THE PUBLIC ALTHORITIES FOR THEIR PART ARE AWARE THAT THESE INDUSTRIAL CONTRACTS REPRESENT A TOTAL OF FF 4.5 BILLION AND 20 MILLION HOURS OF LABOR, BUT THE DECISION TO REPLACE IN A WAY WHICH MORE OR LESS UNDERCUTS THE U.S. FIRMS WOULD HAVE SERIOUS CONSEQUENCES.
3.(U) THE ITEM CONCLUDES THAT "ACCORDING TO CERTAIN RUMORS, THE U.S. MAY BE THINKING OF MODIFYING THE LICENSE CONTRACTS TO PERMIT AMERICAN FIRMS TO PARTICIPATE IN THE PIPELINE CONSTRUCTION. AT THE U.S. EMBASSY, IT WAS SIMPLY RECALLED THAT IF EUROPEAN COMPANIES REPLACED THE U.S. EQUIPMENT IT WOULD BE THE EQUIVALENT OF UNDERMINING THE SANCTIONS, AN ACTION WHICH THE EUROPEANS HAVE PLEDGED NOT TO DO."
4.(U) COMMENT: WE HAVE NO INDICATION THAT THE GOF IS RECONSIDERING ITS PROMISE NOT TO UNDERCUT U.S. SANCTIONS. THERE HAVE BEEN RUMORS, WHICH WE ARE UNABLE TO CONFIRM THAT SOME CONSIDERATION IS BEING GIVEN TO REPLACEMENT OF THE G.E. TURBINES WITH LESS POWERFUL ONES. THE AFP ITEM MAY BE A TRIAL BALLOON LAUNCHED BY A PROSPECTIVE SUPPLIER, SUCH AS CREUSOT-LOIRE.
REFTEL REPORTS THAT THE SOVIETS ARE BEGINNING TO PRESSURE CREUSOT-LOIRE. WE WOULD SIMPLY NOTE THAT CREUSOT-LOIRE PLAYED HARD TO OBTAIN THE ARMCO/NIPPON STEEL PROJECT IN 1980 AND WAS SUPPORTED BY THE GOF. GALBRAITH
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